BC Form 51-901F
Schedule A

NEXTRON CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2002 and 2001

Audited Consolidated
2001 2002

includes both
years in audit

INDEX

BUCHANAN BARRY LLP
CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Shareholders of
Nextron Corporation

We have audited the balance sheets of Nextron Corporation as at December 31, 2002 and 2001 and the statements of income and deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Calgary, Alberta
February 7, 2003

"Signed"
BUCHANAN BARRY LLP
CHARTERED ACCOUNTANTS

NEXTRON CORPORATION

BALANCE SHEETS
AS AT DECEMBER 31, 2002 and 2001

ASSETS

	2002	2001
Current		
Accounts receivable	$ 381,401	$ 371,186
Inventory (Note 3)	351,987	418,657
Prepaid expenses	20,996	15,212
	754,384	805,055
Capital Assets (Note 4)	91,035	98,897
Deferred Development Costs (Note 5)	172,340	87,986
	$ 1,017,759	$ 991,938

LIABILITIES

	2002	2001
Current		
Bank indebtedness (Note 6)	$ 36,281	$ 183,895
Accounts payable and accrued liabilities	384,527	244,906
	420,808	428,801
Long-term Debt (Note 7 and 13)	890,520	980,520
	1,311,328	1,409,321

CAPITAL DEFICIENCY

	2002	2001
Share Capital (Note 8)	2,440,072	2,440,072
Deficit	(2,733,641)	(2,857,455)
	(293,569)	(417,383)
	$ 1,017,759	$ 991,938

APPROVED ON BEHALF OF THE BOARD:

"Signed by" Director
Duane A. Schmeeckle

"Signed by" Director
David Hill

Buchanan Barry LLP

NEXTRON CORPORATION

STATEMENTS OF INCOME AND DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2002 and 2001

	2002	2001
Revenue	$ 2,054,071	$ 1,263,211
Cost of Sales	1,197,629	740,571
Gross Profit	856,442	522,640
Expenses		
Amortization of capital assets	19,865	21,100
Amortization of deferred development costs	76,450	143,670
Bank charges and interest	12,611	11,727
Interest on long-term debt	43,156	-
Marketing, selling, general and administration	580,546	618,694
	732,628	795,191
Income (Loss) from Continuing Operations	123,814	(272,551)
Discontinued Operations (Note 9)		
Net operating loss	-	(54,168)
Loss from closure	-	(135,712)
	-	(189,880)
Net Income (Loss)	123,814	(462,431)
Deficit, beginning of year	(2,857,455)	(2,395,024)
Deficit, end of year	$(2,733,641)	$(2,857,455)
Income (Loss) from Continuing Operations Per Share (Note 12)	$ 0.010	$ (0.022)
Basic and Diluted Income (Loss) Per Share (Note 12)	$ 0.010	$ (0.037)

NEXTRON CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2002 and 2001

	2002	2001
Cash Flows from Operating Activities		
Net income (loss)	$ 123,814	$ (462,431)
Amortization	96,315	217,041
Loss from discontinued operations	-	135,712
	220,129	(109,678)
Change in non-cash working capital items		
Accounts receivable	(10,215)	(95,834)
Inventory	66,670	(135,029)
Prepaid expenses	(5,784)	11,864
Accounts payable and accrued liabilities	139,621	(97,130)
	190,292	(316,129)
	410,421	(425,807)
Cash Flows from Investing Activities		
Payment for future royalties on discontinued operations	-	(85,000)
Proceeds from discontinued operations	-	75,355
Acquisition of capital assets	(12,003)	(19,862)
Expenditures for deferred development costs	(160,804)	(72,833)
	(172,807)	(102,340)
Cash Flows from Financing Activities		
Long-term debt issued	30,000	635,000
Long-term debt repayments	(120,000)	-
	(90,000)	635,000
Net Change in Cash	147,614	106,853
Bank Indebtedness, beginning of year	(183,895)	(290,748)
Bank Indebtedness, end of year (Note 6)	$ (36,281)	$ (183,895)

NEXTRON CORPORATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001

1. Significant Accounting Policies

The financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared using careful judgement with reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

Going Concern Consideration

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a going concern basis, which presumes that the Company will continue in operation in the future and be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred significant losses since its startup. Costs relating to development incurred in previous years have been deferred to be recovered from future revenues. The Company's ability to continue as a going concern and recover these costs is dependent upon achieving profitable operations and the continued support of its lenders or its ability to raise additional equity financing. The outcome of these matters can not be predicted at this time. These financial statements do not include any adjustments to the recovery and classification of recorded amounts that might be necessary should the company be unable to continue as a going concern.

Inventory

Inventory is valued at the lower of cost or net realizable value, cost being determined on an average cost basis.

Capital Assets

Capital assets are recorded at cost. Furniture and equipment are amortized using the declining-balance method at an annual rate of 20%. Leasehold improvements are amortized on a straight-line basis over the term of the lease.

Development Costs

The Company defers development expenditures relating to the creation of new products. Amortization of these costs commence upon commercial production, with the related expenditures amortized over a period of three years. If the product is cancelled or judged to be not commercially viable all deferred development costs related to the product are expensed in the year of determination. Research costs of a general nature are expensed during the year.

NEXTRON CORPORATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001

1. Significant Accounting Policies (cont'd)

Income Taxes

The Company follows the liability method of income tax allocation. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized.

Stock-based Compensation

The Company has a stock-based compensation plan, which is described in Note 8. No compensation expense is recognized for this plan when stock options are granted to employees under this plan. Any consideration paid by employees on the exercise of stock options is credited to share capital. The pro forma effect on net income and earnings per share of granting these options to employees, based on the fair value method of accounting for stock-based compensation, is disclosed. The fair value of stock options granted is determined using the Black-Scholes option-pricing model.

Foreign Currency Translation

Transactions and balances denominated in foreign currencies are translated using the temporal method. Under this method, monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date. Non-monetary items and revenues and expenses are translated at the rates in effect at the date of the transaction. Exchange gains and losses are recorded in income for the year.

2. Change in Accounting Policies

The Company has retroactively adopted the Canadian Institute of Chartered Accountants' pronouncement EIC-122. The new pronouncement requires demand bank debt of the Company to be classified as a current liability. The balance sheet for the prior period has been restated for this change.

Effective January 1, 2002, the Company adopted the Canadian Institute of Chartered Accountants' recommendations for "Stock-based Compensation and Other Stock-based Payments". The Company has applied this change prospectively for new awards granted on or after January 1, 2002. The adoption of this policy has not resulted in any impact to previously reported amounts.

During 2001, the Company retroactively adopted the new Canadian Institute of Chartered Accountants' recommendations for per share calculations. The new standard utilizes the treasury stock method in the determination of diluted per share amounts. Under this method, the diluted weighted average number of shares outstanding is calculated assuming the proceeds that would arise from the exercise of the in the money portion of the options would be used to purchase common shares of the company at their average market price. The new method was applied retroactively with no impact on the 2000 diluted per share amounts. Previously, the Company utilized the imputed earnings method to calculate diluted per share amounts.

NEXTRON CORPORATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001

3. Inventory

Inventory is composed of the following:

	2002	2001
Raw materials	$ 166,409	$ 177,092
Work in process	61,039	136,742
Semi-finished goods	102,454	85,231
Finished goods	22,085	19,592
	$ 351,987	$ 418,657

4. Capital Assets

	2002		2001	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and equipment	$ 224,275	$ 138,154	$ 214,327	$ 120,100
Leasehold improvements	7,538	2,624	5,483	813
	$ 231,813	$ 140,778	$ 219,810	$ 120,913
Net Book Value	$ 91,035		$ 98,897	

5. Deferred Development Costs

	2002	2001
Balance, beginning of year	$ 87,986	$ 313,366
Costs deferred during the year	160,804	72,833
Disposition of product line during the year	-	(102,272)
Amortization	(76,450)	(195,941)
Balance, end of year	$ 172,340	$ 87,986

NEXTRON CORPORATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001

6. **Bank Indebtedness**

	2002	2001
Operating loan	$ 10,000	$ 20,000
Demand loan	30,000	150,000
Bank balance less outstanding cheques	(3,719)	13,895
	$ 36,281	$ 183,895

The operating loan bears interest at the bank's prime lending rate plus 1%, is due upon demand, secured by a general security agreement and personal guarantees of the directors of the Company. The maximum loan under this facility is $50,000.

Demand loan bears interest at the bank's prime lending rate plus 1.875%, is repayable in monthly instalments of $10,000, and is secured by: a general security agreement, fire insurance coverage with loss payable to the bank, and personal guarantees of the directors of the Company

7. **Long-Term Debt**

	2002	2001
Notes payable bearing interest at 5% per annum due March 31, 2004. The notes are unsecured and have no stated repayment terms.	$ 890,520	$ 980,520

8. **Share Capital**

Authorized
Unlimited number of
Common voting shares
Preferred shares issuable in one or more series

Issued and outstanding

	2002		2001	
Common Shares	Number of Shares	Amount	Number of Shares	Amount
Balance, beginning and end of year	12,339,455	$ 2,440,072	12,339,455	$ 2,440,072

NEXTRON CORPORATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001

8. Share Capital (cont'd)

Stock Options

The Company has established a stock option plan for the benefit of the directors, officers and employees of the Company. Options may be granted to purchase, in the aggregate, up to 10% of the common shares of the Company at any time at a price not less than the minimum permitted by The TSX Venture Exchange. All options vest upon issuance.

At December 31, 2001, options to purchase 985,000 common shares at prices ranging from $0.10 to $0.45 per share were outstanding. These options expire at various dates between May 10, 2003 and December 20, 2006. The following is a continuity of stock options outstanding:

	2002		2001	
	2002	Weighted-average exercise price	2001	Weighted-average exercise price
Outstanding, beginning of year	985,000	$ 0.13	440,000	$ 0.16
Granted	-	-	545,000	0.10
Exercised	-	-	-	-
Cancelled	-	-	-	-
Outstanding and exercisable, end of year	985,000	$ 0.13	985,000	$ 0.13

The following table sets forth information relating to stock options outstanding as at December 31, 2002:

Range of Exercise prices	Number Outstanding at December 31, 2002	Weighted-average remaining contractual life	Weighted-average exercise price	Number exercisable at December 31, 2002	Weighted-average exercise price
$0.10	545,000	3.41	$ 0.10	545,000	$ 0.10
$0.12	300,000	1.97	0.12	300,000	0.12
$0.20	120,000	0.85	0.20	120,000	0.20
$0.45	20,000	0.36	0.45	20,000	0.45
	985,000	2.60	$ 0.13	985,000	$ 0.13

On various dates during 2001, 545,000 stock options were issued with an option price of $0.10 per share. These options will expire between January 8, 2006 and December 20, 2006. There were no stock options granted in 2002.

NEXTRON CORPORATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001

9. Discontinued Operations

On July 11, 2001 the Company sold the rights and inventory of the Accutouch Division, producers of monitoring instruments.

The results of operations of this business segment for the period January 1, 2001 to July 11, 2001 are included in the discontinued operations net operating loss of $54,168.

Sales for the period amounted to $9,387.

Loss from closure of discontinued operations is comprised of the following:

Legal and brokerage costs	$ 19,648
Settlement of future royalties	85,000
Write-down of deferred development costs	31,064
	$ 135,712

10. Financial Instruments

The Company's financial instruments included in the balance sheet are comprised of accounts receivable, bank indebtedness, accounts payable and accrued liabilities, and long-term debt.

a) Fair values
The fair values of the Company's financial instruments do not differ significantly from their carrying values.

b) Credit risk
The Company's accounts receivable are due from a diverse group of customers and as such are subject to normal credit risks.

c) Interest rate risk
The Company is also exposed to interest rate cash flow risk to the extent that the bank loans are at floating rates of interest.

11. Income Taxes

Income taxes reported differ from the amount determined by applying the statutory federal and provincial income tax rates to income before income taxes. The reason for these differences and their effect are as follows:

	2002	2001
Statutory tax rate	39%	45%
Income taxes (recovery) at the statutory rate	$ 48,585	$ (208,094)
Unrecognized benefit of losses carried forward and timing differences	(48,585)	208,094
	$ -	$ -

NEXTRON CORPORATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001

11. Income Taxes (cont'd)

The Company has non-capital loss carryforwards of approximately $1,512,000 (2001 - $1,558,000) expiring between 2003 and 2008. The ability of the Company to utilize the losses and other tax balances carried forward in the future is not more likely than not to be realized and therefore has not been recognized in the financial statements. The Company is currently involved in a dispute with the Canada Customs and Revenue Agency which may result in the reduction of the non-capital losses available for carryforward by approximately $565,000.

The Company has research and development expenditures of approximately $412,000 (2001 - $305,000) available for carryforward indefinitely. The pool of deductible scientific research and experimental development expenditures was reduced by approximately $54,000 based on the results of the Canada Customs and Revenue Agency's review of 2000 and 2001 expenditures. This adjustment is reflected in the comparative balance shown above.

The Company has approximately $119,000 (2001 - $87,200) in non-refundable investment tax credits arising from qualified research and development expenditures which expire between 2007 and 2009. The pool of non-refundable investment tax credits was reduced by approximately $15,000 based on the results of the Canada Customs and Revenue Agency's review of 2000 and 2001 expenditures. This adjustment is reflected in the comparative balance shown above.

12. Income (Loss) Per Share

Income (loss) per share has been calculated on the basis of the weighted average number of common shares outstanding for the year which amounts to 12,339,455 shares (2001 - 12,339,455). As stock options outstanding at December 31, 2002 and 2001 were not in the money, no additional shares are included in the diluted loss per share.

13. Related Party Transactions

Included in notes payable is $204,270 (2001 - $204,270) due to a company controlled by the president and $587,500 (2001 - $677,500) due to the president. The notes are unsecured and due March 31, 2004. Interest of $38,232 (2001 - $nil) was paid on these notes.

Included in notes payable is $42,500 (2001 - $42,500) due to directors. The notes are unsecured and due March 31, 2004. Interest of $2,119 (2001 - $nil) was paid on these notes.

Included in notes payable is $56,250 (2001 - $56,250) due to companies controlled by directors. The notes are unsecured and due March 31, 2004. Interest of $2,805 (2001 - $nil) was paid on these notes.

14. Commitments

The Company has entered into lease agreements for equipment and rent. The estimated minimum lease payments are as follows:

2003	$ 76,700
2004	68,200
2005	52,000
2006	2,000
	$ 198,900

15. Prior Year's Figures

Certain of prior year's figures have been reclassified to conform to the current year's presentation.

BC FORM 51-901F
Schedule B: Supplementary Information

1. Analysis of expenses -

Cost of Sales:		
Materials		$ 997,433
Labour		109,534
Overhead		90,662
		$ 1,197,629
Marketing, selling, general and administration:		
Engineering expense		$15,796
Unrecovered manufacturing overhead		90,154
Sales and Marketing-		
Salaries, commissions, royalties etc.	$61,207	
Advertising & Promotion	20,541	
Other	6,268	
		88,016
General and Administrative-		
Salaries & Benefits	215,187	
Professional fees	61,586	
Other	109,807	
		386,580
		$ 580,546

2. Related Party Transactions-

Notes Payable to shareholders: These are payable to Directors and to companies controlled by a Director and represent the amount of cash advances made to the Company. The Notes are unsecured, due March 31, 2004, and may be repaid earlier without penalty, at the option of the Company.
During the year the Note Holders agreed to reduce the interest rate to 5%, retroactive to January 1, 2002.

3. Summary of Securities issued and Options granted-

a) No securities have been issued in the period.

b) No options were granted in the period.

4. Summary of Securities and Options as at the end of the Reporting Period-

a) Common Shares:	Number of Shares Issued	Amount
Balance December 31, 2001 and at December 31, 2002	12,339,455	$2,440,072

b) Share Options:	Number
Balance December 31, 2001 and at December 31, 2002	985,000

5. Directors and Officers as at date this Report is signed-

Duane A. Schmeeckle	Chairman of the Board of Directors
Len Edwards	President
David Hill	Secretary, CFO and Director
A.Bernard Coady	Director
Donald D. Barkwell	Director
Terrence F. Hawitt	Director

BC Form 51-901F

Schedule C – Management Discussion and Analysis

Description of Business

Nextron Corporation is a high technology company whose core business is the design, production and marketing of industrial electronic products with strategic planning initiatives that focus entirely on products for use in temperature control applications. The temperature control products are used in various industries and applications for single to multiple circuit monitoring and control of electrical heat tracing systems. Applications can be categorized as basic in system design to more sophisticated design approaches that incorporate Nextron's custom software application and communications protocol.

All temperature control products manufactured by Nextron are tested and certified to the stringent standards established by certifying agencies and carry Canadian Standard Association (CSA) and Factory Mutual (FM) approvals. In addition, Nextron carries registration with QMI for International Standard Organization requirements for ISO-9001 and maintains an infrastructure to support this quality managed system.

Products are distributed through several channels, stocking distributors, original equipment manufacturers (OEM), and service companies. The markets served are primarily in North America with some end users in countries outside North America.

The Company is a reporting issuer in British Columbia and Alberta, and trades on the TSX Venture Exchange under the symbol NXT.

Operations

For many companies, 2002 was a challenging year with North American economies characterized by reductions in capital and maintenance expenditures and reduced product demand. Through this however, Nextron witnessed significant growth and by our continued investment in technology and product development, we strengthened our position as a supplier of technically advanced, high quality products for temperature control and monitoring.

The agility of a smaller firm allows it to make innovative changes and developments quickly. For Nextron, sales growth in 2002 resulted from our ability to design and deliver to market and customer requirements on time.

Important to the company's growth in 2002 was industry recognition of the advanced design of the TraceMate™, an industrial electronic thermostat introduced in 2001, that increased sales volume for the product substantially. Further, enhancements to the product in 2002 allowed us to meet the requirements of a northern Alberta heavy oil extraction project and provided Nextron significant entry into this growing market. Continual design improvements undertaken in 2002 will result in several optional features available to end-users by mid-second quarter of 2003, enhancements that will maintain our products competitive positioning for the next several years.

slowdown in all sectors that continued through the first quarter of 2003. As a major exporter of product to the United States, war worries and mixed economic signals impacted fourth quarter 2002, and first quarter 2003 sales as the choppy recovery affected many of the industries we serve.

In January 2003, Nextron's Board of Directors announced the appointment of Len Edwards as President of the Company.

BC FORM 51-901 F

QUARTERLY REPORT AND YEAR END REPORT

Incorporated as part of Schedule A B and C

ISSUER DETAILS:

Name of Issuer	Nextron Corporation
Issuer's Address	#14, 6120 11th Street SE Calgary, Alberta T2H 2L7
Issuer Telephone Number	(403)735-9559
Contact Person	Duane Schmeeckle
Contact's Position	Chairman, Director
Contact Telephone Number:	(403)735-9555 ext 263
Contact Email Address	dschmeeckle@nextron.ca
Contact Web Site Address	www.nextron.ca
For Year Ended	December 31, 2002
Date of Report	May 8, 2003

CERTIFICATE

THE SCHEDULE(S) REQUIRED TO COMPLETE THIS YEAR END REPORT ARE ATTACHED AND THE DISCLOSURE CONTAINED THEREIN HAS BEEN APPROVED BY THE BOARD OF DIRECTORS. A COPY OF THIS REPORT WILL BE PROVIDED TO ANY SHAREHOLDER WHO REQUESTS IT. PLEASE NOTE THIS FORM IS INCORPORATED AS PART OF BOTH THE REQUIRED FILING OF SCHEDULE A AND SCHEDULES B&C.

(Signed)	Duane Schmeeckle	2003/05/08
DIRECTORS SIGNATURE	PRINT NAME IN FULL	DATE SIGNED (YY/MM/DD)
(Signed)	David Hill	2003/05/08
DIRECTORS SIGNATURE	PRINT NAME IN FULL	DATE SIGNED (YY/MM/DD)